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USIB-D-16, 2/46
26 April 1961


UNITED STATES INTELLIGENCE BOARD

Validity Study on Economic Sections of NIE 13-60

Communist China

dated 6 December 1960

The attached Validity Study on Economic Sections of NIE 13-60 was noted by the Intelligence Board on 25 April 1961 (USIB-M-152, item 6).


Executive Secretary

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Attachment

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Recently-completed SNIE 13-61 is a special examination of current Chinese Communist economic difficulties, with particular reference to the food situation. It was completed about four months after the general estimate on Communist China (NIE 13-60), which covered a broad range of probable domestic and international developments over the next five years. SNIE 13-61 is thus in effect both a more detailed examination of one area of Chinese Communist problems and a progress report on one problem area noted in the basic estimate.

NIE 13-60 pointed out the major economic problems facing Communist China. Among these were the country's continuing dependence upon foreign sources for petroleum, for some key items of industrial and military equipment, and for specialized technical knowledge. Note was taken of the withdrawal of Soviet technicians in mid-1960, brief mention was made of the serious impact their continued absence would have on the economy, and the NIE's estimate of GNP growth rate was made contingent upon the continued flow of "industrial equipment and technical assistance" from the rest of the Bloc. Also discussed in the NIE were the low food reserves at the end of 1958, the aggravation of this situation by bad crops in the two successive years, the intensification of food rationing, the nationwide campaign to collect wild food and fibers, and the serious hunger and malnutrition reported from several parts of the country. It was estimated that food conditions would further deteriorate through the spring of 1961.

The evidence which has become available since NIE 13-60 was published, and which was noted in SNIE 13-61, in general confirms these earlier estimates. SNIE 13-61 also notes the Chinese Communist response to this worsening situation, including the purchase of food grains abroad. In light of recent indications that 1961 may also be a poor crop year, and that substantial numbers of Soviet technicians may not return, SNIE 13-61 has also reduced the estimate of future GNP growth rates.